



Key Terms

Personal Finance Ecosystem

Financial Well-being *aka Financial Wellness*

The individual's self-defined goal state.

Major elements include:

- **Personal economic outcomes** (e.g., objective measures like tax bracket, credit score)
- **Subjective perception of economic outcomes** (e.g., accurate perception of their tax liability and what their credit score is and means)
- **Satisfaction** with financial situation (including outlook)
- **Decisions and behaviors**

Financial Education

A systematic approach to cultivating financial knowledge and financial decision-making skills.

Implies use of appropriate pedagogy, learning objectives, and assessment techniques as well as being of adequate duration and structure to allow the learner to incorporate new knowledge into their existing schema.

Behavioral Influencers

Includes informational interventions (e.g., Just in Time), nudges and choice architecture, expert advice or guidance, financial coaching or therapy (individual or group), and Fin Tech.

Financial Capability

The individual's ability to act in their own self-determined best interest.

Major elements include:

- **Financial knowledge and decision-making skills**
- **General skills and abilities:** numeracy, cognitive faculties, problem solving, critical thinking, self-efficacy, confidence, etc.
- **External factors:** economic conditions (e.g., unemployment), socioeconomic factors, financial products and services, personal health, family factors, economic inequality, social welfare programs, etc.

Financial Information and Tools

A variety of tools, resources, and activities that inform the individual about a topic or decision.

Often used in self-directed inquiry. Can and should be used as part of a financial education program or initiative but on its own does not constitute education. Examples include one-off, or small-dose lessons not part of a broader program or curriculum, articles or reference resources, tips and tricks, calculators, and decision aids.

Idiosyncratic Factors

The other factors that materially impact people's behaviors and satisfaction and include their motivation, affect, cognitive bias, values, beliefs, and attitudes, time discounting, risk tolerance and related factors.

The Role of Research, Evaluation and Policy

Research | Conducted on each element in the ecosystem as well as the relationships between them.

Assessment and Evaluation | Is explicitly tied to objectives from an educational engagement and is conducted at the learner level and programmatic level.

Policy and Regulation | Primarily impacts external factors, education (including financial education) and behavioral influencers.

What About Financial Literacy?

At its essence, financial literacy means everyday fluency in the concepts that comprise personal finance—to have a working knowledge of them. In addition to having knowledge, it often is applied to exhibiting positive financial behaviors. In the ecosystem, knowledge and behaviors are two distinct elements and have different influences.